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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 5, 1999

APPLICATION OF

FRE COMMUNICATIONS, INC.

CASE NO. PUC980170

For certificates of public
convenience and necessity to
provide local exchange and
interexchange telecommunications
services

FINAL ORDER

On November 9, 1998, FRE Communications, Inc. ("FRE" or "the Company") completed an application for certificates of public convenience and necessity ("certificate") to provide local exchange and interexchange telecommunications services throughout the Commonwealth of Virginia. As part of its application, FRE requested a waiver of § 2.E.1 of the Commission's Rules for Local Exchange Telephone Competition, as adopted in Case No. PUC950018 ("Local Exchange Rules") requiring audited financial statements to be filed with the application.

By Order dated December 3, 1998, the Commission directed the Company to provide notice to the public of its application, directed the Commission Staff to conduct an investigation and file a report, and scheduled a public hearing to receive evidence relevant to FRE's application. On January 19, 1999, the Staff filed its report finding that FRE's application was in

compliance with the Commission's Local Exchange Rules and the Commission's Rules Governing the Certification of Interexchange Carriers, as amended in Case No. PUC850035, and that FRE did not provide audited financial statements.

Based upon its review of FRE's application and its requested waiver of Local Rule § 2.E.1, the Staff determined it would be appropriate to grant to the Company an interexchange certificate and a local exchange certificate subject to two conditions: (1) any customer deposits collected by the Company shall be retained in an unaffiliated third-party escrow account for such time as the Staff or Commission determines is necessary; and (2) the Company shall provide audited financial statements to the Staff no later than one year from the effective date of its initial tariff.

A hearing was conducted on January 27, 1999. FRE filed proof of publication and proof of service as required by the December 3, 1998, scheduling order. At the hearing, the application and accompanying attachments, and the Staff report were entered into the record without objection.

Having considered the application and the Staff report, the Commission finds that FRE should be granted certificates to provide local exchange and interexchange telecommunications services. We also find the Company's request for a waiver of § 2.E.1 of the Local Exchange Rules, as it relates to filing

audited financial statements with the application, should be granted. Although we will require the Company to retain any customer deposits in an unaffiliated third-party escrow account, this requirement should not be interpreted to prevent the Company's normal access to deposits from delinquent terminated accounts. Having considered § 56-481.1, the Commission further finds that FRE may price its interexchange services competitively. Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) FRE Communications, Inc. is hereby granted a certificate of public convenience and necessity, No. TT-62A, to provide interexchange services subject to the restrictions set forth in the Commission's Rules Governing the Certification of Interexchange Carriers, § 56-265.4:4 of the Code of Virginia, and the provisions of this order.

(2) FRE Communications, Inc. is hereby granted a certificate of public convenience and necessity, No. T-432, to provide local exchange telecommunications services subject to the restrictions set forth in the Commission's Rules for Local Exchange Telephone Competition, § 56-265.4:4 of the Code of Virginia, and the provisions of this order.

(3) FRE shall provide tariffs to the Division of Communications which conform with all applicable Commission rules and regulations.

(4) FRE shall provide to the Division of Economics and Finance audited financial statements no later than one year from the effective date of its initial tariff.

(5) Should FRE collect customer deposits, it shall establish and maintain an escrow account, held by a third party, to hold such funds, and shall notify the Commission Staff of the escrow arrangement. Any escrow arrangement established pursuant to this order shall be maintained for such time as the Staff or Commission determines necessary.

(6) Pursuant to § 56-481.1 of the Code of Virginia, FRE may price its interexchange services competitively.

(7) There being nothing further to come before the Commission, this case shall be dismissed and the papers filed herein placed in the file for ended causes.